

Minority Business Development Agency: Information on Performance Assessment and Compliance Monitoring

GAO-26-107718 (Accessible Version)

Q&A

Report to Congressional Committees

March 27, 2026

Why This Matters

The mission of the Department of Commerce's Minority Business Development Agency (MBDA) is to promote the growth and global competitiveness of minority business enterprises (MBE). MBEs are statutorily defined as businesses that are at least 51 percent owned, operated, and controlled by one or more socially or economically disadvantaged individuals. Since 1969, MBDA has supported MBEs through its Business Center program, which helps businesses access capital, expand contracting opportunities, and enter new markets.

The Minority Business Development Act of 2021 provided statutory authorization for MBDA and includes a provision for GAO to review its programs, including business center compliance with program requirements.¹

This report describes MBDA's programs for MBEs; its approach to assessing business center performance; how selected centers reported performing in 2024; and MBDA's approach to monitoring centers' compliance with program requirements, such as performance reporting. It also describes how executive orders issued in early 2025 affected the agency.

Key Takeaways

- MBDA has implemented several programs to promote the growth and competitiveness of MBEs, including the Business Center program, which operated 39 business centers in funding year 2024 (from July 1, 2023, to June 30, 2024).
- MBDA assesses business centers by reviewing their annual performance reports and assigns scores based on outcomes. Five of the seven centers we reviewed received the highest performance rating in 2024.
- MBDA is responsible for monitoring activities to assess compliance with program requirements. From 2023 through 2024, it initiated five performance improvement plans and terminated one center's award.
- Following executive orders issued in February and March 2025, almost all MBDA staff were placed on administrative leave and business center cooperative agreements terminated. However, in May 2025, a district court preliminary injunction order rescinded the staff reductions and some of the agreement terminations. In November 2025, the same court issued a permanent injunction prohibiting the federal government from implementing the March executive order. However, in January 2026, the defendants,

including MBDA, appealed the November 2025 decision. As of February 27, 2026, the case was still on appeal.

What are minority business enterprises?

As defined in statute, an MBE must be at least 51 percent owned, operated, and controlled by one or more socially or economically disadvantaged individuals.² An MBE may be a for-profit or not-for-profit enterprise and take various forms, including sole proprietorship, partnership, or corporation.

A socially or economically disadvantaged individual is statutorily defined as someone subjected to racial or ethnic prejudice or cultural bias (or the ability of whom to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities, as compared to others in the same line of business and competitive market area).³

How has MBDA determined eligibility for business center services?

MBDA changed how eligibility for business center services is determined following a March 2024 court decision. Prior to the decision, business centers determined eligibility based on whether a business met the determination of socially and economically disadvantaged, which was presumed by belonging to one of several categories enumerated by statute or regulation, including: Black or African American; Hispanic or Latino; American Indian, Alaska Native, Asian, Native Hawaiian or other Pacific Islander; Hasidic Jew; or Asian Indian.⁴

In March 2024, the U.S. District Court for the Northern District of Texas found that the presumption in the Minority Business Development Act to presume that individuals in certain groups were socially or economically disadvantaged was unconstitutional and MBDA could no longer use those groups for determining program eligibility.⁵ In response to the ruling, MBDA revised its eligibility criteria.⁶ In March 2024, it issued guidance directing business centers to base eligibility on individuals meeting the statutory definition of socially or economically disadvantaged, without requiring identification with a specific group. MBDA also updated its intake process and client engagement form to enable individuals to self-certify that they meet the MBE definition when they enter into an agreement for business center services.

What key challenges might MBEs have faced?

Studies we reviewed—most conducted before MBDA revised its eligibility criteria in March 2024—suggest that MBEs faced challenges in their ability to sustain and grow operations, including in accessing capital, credit, and contracts. Because these studies focus on firms owned by individuals in enumerated racial or ethnic groups, they align with MBDA's pre-March 2024 eligibility framework. Following the shift to a self-certification model based on social or economic disadvantage, these challenges may not fully reflect those facing the population currently eligible for business center services.

- **Access to capital and credit.** A 2022 study of about 5,000 businesses operating from 2004 to 2011 found that African American or Black start-ups applied for loans less frequently, often due to a belief their applications would be denied—even when they had good credit. It also found that African American or Black start-ups were launched with less capital than for White entrepreneurs. For example, the study reported that in 2004, the average start-up capital among African American or Black entrepreneurs was \$35,205

as compared to \$106,720 for White entrepreneurs.⁷ Additionally, a 2024 Federal Reserve study found that 58 percent of American Indian or Alaska Native-owned, 51 percent of African American or Black-owned, and 46 percent of Hispanic and Latino-owned small businesses reported credit availability challenges, compared to 25 percent of White-owned businesses.⁸

- Access to contracts.** A 2024 analysis of over 1.5 million federal contracts awarded in 2019–2021 found that minority-owned businesses were underrepresented among contracts awarded in the areas of science, technology, engineering, and mathematics.⁹ Additionally, a 2016 MBDA meta-analysis of 100 disparity studies found that MBEs typically received a smaller share of contracts—both in number and dollar value—relative to the number of MBEs available to bid on and perform the work.¹⁰ According to the review, MBEs frequently do not have access to informal networks that share information about contract opportunities. The study also identified project size as a barrier for both MBEs and non-MBEs.

Advocacy organizations for firms owned by racial or ethnic minorities echoed this challenge. One organization’s representatives told us that contract bundling (grouping multiple contract requirements into a single contract) can prevent smaller MBEs from bidding. Another organization noted that financial caps in the Small Business Administration’s (SBA) 8(a) program can constrain participants’ ability to compete for large contracts.

The studies and reports we reviewed have limitations and may not generalize to all minority-owned businesses or those owned by socially or economically disadvantaged individuals. The results of these studies also may not generalize to other businesses, contracts, or time periods. Additionally, these studies focus on businesses that may be socially or economically disadvantaged through ownership by members of certain racial and ethnic groups. However, these are not the only businesses that may be socially or economically disadvantaged. Finally, we may not have identified all challenges that MBEs could face.

How does MBDA support MBEs?

MBDA supports MBEs primarily through two programs, as well as through pilot programs and outreach activities such as advisory councils and conferences.

Programs. MBDA largely has supported the growth and competitiveness of MBEs through two programs (see table 1).

Table 1: Key Minority Business Development Agency (MBDA) Programs and Funding Awards, 2021–2024

Program name	Program description	Annual award amount per recipient	Total funding	Performance period
Business Center program	Funds public and private organizations to operate a network of business centers offering technical assistance and business development services. Centers help minority business enterprises access new capital and contract opportunities and enter new markets. In 2024, MBDA funded 39 business centers and nine specialty centers (four export centers, four advanced manufacturing centers, and one federal procurement center). Centers are statutorily required to match at least one third of the amount of financial assistance awarded to the center under the MBDA business center agreement, unless granted a waiver by the agency.	\$375,000–\$415,000	\$80 million (2021–2024)	July 1, 2021–June 30, 2026 and Sept. 1, 2022–June 30, 2026

Program name	Program description	Annual award amount per recipient	Total funding	Performance period
Capital Readiness program	Funds colleges and universities, and private-sector and nonprofit organizations to promote the growth, hiring, and wealth of socially and economically disadvantaged business owners. Offers technical assistance and access to capital opportunities. In 2023, the program awarded funding to 43 recipients.	\$500,000–\$750,000	\$117 million (2023–2024)	July 1, 2023–June 30, 2027

Source: GAO analysis of MBDA documentation and testimonial evidence. | GAO-26-107718

Pilot programs. MBDA also has operated several pilot programs since 2021, most of which have been completed. These included the MBE Equity Multiplier Project, which provided technical assistance to MBEs seeking equity investments, and the Access to Capital: Innovative Finance Projects, which proposed market solutions for barriers to capital.

Additional pilot programs were the American Indian, Alaska Native, and Native Hawaiian Projects program, which funded for-profit and nonprofit tribal, Alaska Native, and Hawaiian native entities. MBDA also operated the Minority Colleges and Universities program, which supported entrepreneurship among undergraduate students at Historically Black Colleges and Universities, Hispanic Serving Institutions, Tribal Colleges and Universities, Native Hawaiian Serving Institutions, and Alaska Native Serving Institutions.

MBE Advisory Council. In January 2024, MBDA created the MBE Advisory Council to advise agency leadership on issues affecting MBEs, including barriers to entrepreneurship. As of its most recent meeting in January 2025, the council had nine private-sector members and 10 representatives from federal agencies, including SBA, the Department of Labor, and the Department of Agriculture.

Conferences. MBDA has held conferences to recognize the accomplishments of entrepreneurs and organizations that contributed to business growth. Since 2023, MBDA also has annually hosted Access to Capital Summits to discuss trends affecting capital formation for MBEs and strategies to address barriers.

How has MBDA coordinated with other federal agencies?

MBDA has coordinated with other federal agencies through memorandums of understanding, the MBE Advisory Council, and interagency events.

To increase collaboration, leverage resources, and promote contracting opportunities for MBEs, MBDA established memorandums of understanding with several federal agencies. As of 2024, these included the Departments of Energy, Transportation, and Defense, as well as the National Aeronautics and Space Administration. These efforts have focused on increasing contracting opportunities for MBEs in sectors such as energy, transportation, defense, and aerospace technology. These memorandums of understanding generally have 3-year terms, with some remaining in effect through 2025 and others through 2026.

MBDA also coordinated with SBA through MBDA's MBE Advisory Council. At the local level, MBDA's business centers and SBA's Small Business Development Centers may refer businesses to one another, according to MBDA officials.

In addition, MBDA coordinates with other federal agencies through annual conferences, such as its Access to Capital Summit. In 2024, the summit included officials from the Board of Governors of the Federal Reserve System, Office of Comptroller of the Currency, Federal Deposit Insurance Corporation, and Securities and Exchange Commission.

How does MBDA assess the performance of business centers?

According to MBDA, the agency is to assess business centers' performance by setting annual performance goals, requiring centers to submit performance reports and supporting data, and evaluating the extent to which the centers met those goals.

Annual performance goals for business centers

MBDA sets minimum annual performance goals for its business centers through notices of funding opportunity. Business center operators agree to the goals when they enter into cooperative agreements with MBDA to manage the centers. The operators may be private or public entities, such as corporations, institutions of higher education, nonprofit organizations, or city governments. In 2021, MBDA set seven goals for the centers to meet annually through 2024 (see table 2).

Table 2: MBDA Annual Performance Goals for Business Centers, Fiscal Years 2021–2024

Measure	Goal
Minority business enterprises served	100
Gross revenues generated	\$50 million
Percentage of clients that increase profits	50%
Value of financing, capital, and bonding	\$25 million
Value of capacity investments	\$25 million
Jobs created	250
Capacity-building engagements	50–100

Source: GAO analysis of Minority Business Development Agency (MBDA) documentation. | GAO-26-107718

MBDA requires business centers to submit semiannual and annual reports describing the extent of goal achievement. Business centers must submit supporting documentation, such as copies of client contracts resulting from business center services. Business centers also may submit narratives describing success stories and their progress toward annual goals. MBDA requires business centers to submit reports and supporting documentation into its Salesforce system during the entire period of their agreement with MBDA.¹¹

MBDA's performance scores

MBDA evaluates each business center's annual performance using a point-based scoring system. Centers earn points for meeting annual performance targets, such as number of MBEs served or gross revenues generated. Final scores are categorized on a scale using five performance levels, which determine each center's overall rating.¹²

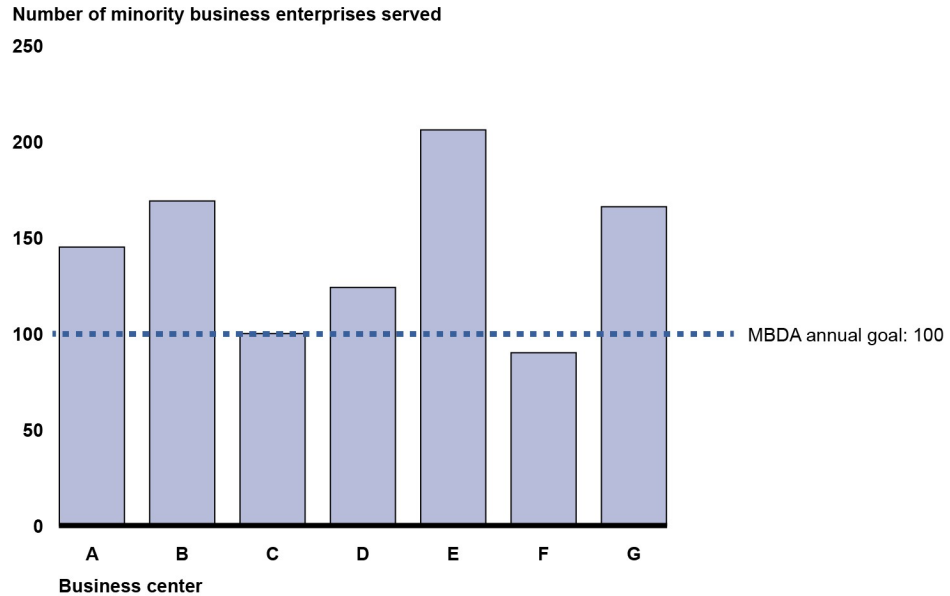
How did selected business centers report performing in funding year 2024?

Five of the seven business centers we reviewed reported exceeding annual goals in funding year 2024.¹³ We selected a judgmental sample of seven centers that were active in 2024, had prior grant cycle experience, and were geographically diverse. The selected centers were operated by two universities, two economic development firms, one consulting firm, one nonprofit, and one corporate membership organization. The results for these seven centers are not generalizable to all 39 business centers.

Most selected centers reported exceeding MBDA's 2024 goal of helping clients create or retain 250 jobs. MBDA also requires centers to serve at least 100

MBEs annually, and five of the seven centers reported exceeding this goal (see fig. 1).

Figure 1: Reported Number of Minority Business Enterprises Served by Seven Selected Business Centers, Funding Year 2024



Source: GAO analysis of Minority Business Development Agency (MBDA) 2024 performance reports. | GAO-26-107718

Accessible data for Figure 1: Reported Number of Minority Business Enterprises Served by Seven Selected Business Centers, Funding Year 2024

Business Center	Number of Minority Business Enterprises served
Business Center 1	145
Business Center 2	169
Business Center 3	100
Business Center 4	124
Business Center 5	206
Business Center 6	90
Business Center 7	166

Source: GAO analysis of Minority Business Development Agency (MBDA) 2024 performance reports. GAO-26-107718

Note: The figure includes the number of minority business enterprises that selected business centers reported serving for funding year 2024 (from July 1, 2023, to June 30, 2024). We did not assess the reliability of this information because our ability to review supporting documents was limited when MBDA and business centers lost access to the Salesforce platform that held the information in February 2025.

In addition, five of the seven business centers we reviewed received MBDA’s highest performance rating for funding year 2024, while the remaining two received the second-highest rating, according to their performance reports. The two centers with lower ratings remained in good standing with MBDA. Their ratings reflected not meeting goals, including the percentage of clients that increased profits, value of capacity investments, and gross revenues generated.

We originally planned to review the 2024 annual performance reports for all 39 active business centers, including supporting documentation for performance data. However, Commerce did not renew MBDA’s contract for Salesforce, the official repository for this information. As a result, MBDA and business centers lost access to the system in February 2025.¹⁴

In July 2025, MBDA officials told us that when it became uncertain whether the agency would continue operating, they downloaded program data from Salesforce to preserve them. However, they also noted that these data cannot be interpreted outside the Salesforce platform and are essentially unusable without additional coding. Consequently, our ability to obtain performance reports and

supporting documentation for all 39 business centers in a timely manner was limited.

In November 2025, the Commerce Office of Inspector General (OIG) reported on MBDA's performance data for the business center program.¹⁵ The OIG found that MBDA did not ensure that reported performance metrics were accurate and reliable. Its review identified metrics that were duplicative, had missing or inadequate documentation, or should not have been approved based on the underlying activity.

According to OIG officials, they were able to access performance data from Salesforce prior to February 2025. As noted above, we were unable to fully evaluate MBDA's performance data because Commerce did not renew its contract for Salesforce in February 2025. As a result, neither we nor MBDA could access the system during our audit.

The OIG recommended that MBDA consider improvements to monitoring and oversight when finalizing its plan for continuing operations as it implements Executive Order 14238 (which directed the agency to eliminate all nonstatutory and to reduce many statutory functions), such as establishing and enforcing policies and procedures to clarify requirements for approving performance metrics.¹⁶ We discuss changes to MBDA's operations and business centers stemming from executive orders later in this report.

What is MBDA's approach to monitoring and enforcing compliance?

According to MBDA's 2017 standard operating procedures (the most current available at the time of our review), agency staff are to regularly use a variety of tools to monitor business centers' compliance with program requirements. These tools include reviews of required reports, virtual or in-person site visits, communication with centers, and steps to enforce compliance (see fig. 2).¹⁷

Figure 2: MBDA's Key Activities for Monitoring and Enforcing Compliance at Business Centers



Source: GAO review of Minority Business Development Agency (MBDA) documentation and interviews with MBDA officials; GAO (icons). | GAO-26-107718

Business centers must meet several requirements to comply with their award terms and conditions. These requirements include submitting semiannual performance and financial reports, providing at least a one-third cost share, using federal funds only for allowable expenses, and establishing and maintaining referral relationships with at least one community-based organization. Centers also must meet standards for internal control and financial system management and develop and maintain a network of strategic partnerships with relevant organizations.

Business centers must also conduct a single audit if they spend \$1,000,000 or more in federal awards in a year.¹⁸ We identified and reviewed single audit reports for 18 of the 39 centers.¹⁹ Six received findings related to MBDA's programs. All six operators responded to the findings with planned corrective actions. In its November 2025 report, the OIG also reported on single audit results from 2021–2023 for a sample of 10 business centers and found that MBDA did not follow up with centers to address single audit findings. The OIG recommended that MBDA consider improvements to monitoring and oversight when finalizing its plan for continuing operations as it implements Executive Order 14238, such as updating processes and policies to ensure single audit findings are addressed adequately.

Compliance monitoring activities

MBDA's program staff may identify noncompliance through ongoing monitoring, which includes site visits.²⁰

Report reviews. MBDA's standard operating procedures require program staff to regularly review business centers' performance and financial reports. Staff are to assess whether centers comply with award requirements and submit reports on time.²¹ Staff also are to review performance reports to determine whether centers met annual program goals and to assign a performance score. Business centers also must meet financial requirements, such as submitting complete budget information and expenses and providing at least a one-third cost-share. Centers report compliance with these requirements through quarterly financial reports, which MBDA staff review to assess compliance and identify any discrepancies.

Site visits. Program staff must conduct an initial site visit at the beginning of each award cycle and a follow-up visit every 2 years. After each visit, staff are to create a report that includes key findings and recommendations for compliance, items not in compliance with requirements, and a request for corrective actions with time frames.

Communication. The standard operating procedures also require program staff to regularly communicate with business center staff, including through emails and weekly conference calls. According to MBDA officials, program staff also have held quarterly calls with all centers to provide program updates.

Compliance enforcement

MBDA staff can take several steps to address identified instances of noncompliance. First, MBDA officials told us that program staff may communicate the identified noncompliance issue to the business center. If the issue is not brought into compliance, MBDA may provide a written notification of noncompliance and hold a formal meeting with the center. During this process, MBDA can take further steps to help the center address the issue, such as conducting additional site visits and connecting the center to other centers for resources.

If a business center does not resolve the identified noncompliance issue after receiving a written notification and additional assistance, MBDA staff must initiate a performance improvement plan that sets specific expectations and improvement goals for the center. MBDA officials told us that staff conduct weekly check-ins with business centers that are on such plans to help ensure progress. If a center is unable to resolve deficient performance, MBDA may recommend enforcement actions, including suspension or award termination.²²

In November 2025, the OIG reported on MBDA's compliance monitoring activities and found that MBDA did not sufficiently monitor business center activities for

compliance with award requirements.²³ For example, the OIG reported that MBDA did not collect or review quarterly expense reports from business centers, as required by its standard operating procedures. The OIG recommended that MBDA consider improvements to monitoring and oversight when finalizing its plan for continuing operations as it implements Executive Order 14238, such as establishing processes and updating policies to ensure MBDA adequately monitors business centers for compliance with award procedures.

Consistent with the OIG’s findings, we also observed limitations in MBDA’s efforts to monitor business centers for compliance. For example, MBDA officials told us that they did not have a case management system to track each business center’s compliance with program requirements. The officials stated that they began using a spreadsheet in 2023 to log issues identified during the course of their work but also noted that this was an informal tool that staff were not required to regularly update. We also found monitoring procedures to be incomplete. For example, MBDA’s 2017 standard operating procedures—which document the procedures for monitoring business centers’ compliance with program requirements—make no mention of MBDA’s responsibilities for working with centers to address single audit findings. Additionally, we identified a risk assessment that MBDA developed but had not incorporated into its monitoring.

In light of the OIG’s recommendations to MBDA, we are not making recommendations to MBDA related to its compliance monitoring approach at this time because MBDA concurred with the OIG’s recommendation and stated it plans to review any administrative actions it could take in response to the OIG’s findings. If effectively implemented, these actions should help address the issues we observed.

How did MBDA address business centers’ performance issues in 2021–2024?

From 2021 through 2024, MBDA reported that it placed five business centers under performance improvement plans—all in 2023—to address instances of noncompliance. One business center had its award terminated.

The five performance plans addressed issues such as failure to meet program goals and submission of limited or inaccurate performance information (see fig. 3).²⁴ Four of the five plans were successfully resolved. MBDA terminated the remaining center’s award in 2024 after the operator failed to make significant improvements under the improvement plan and subsequently asked MBDA to terminate the award before the performance period ended.

Figure 3: Issues Identified at Business Centers Placed Under Performance Improvement Plans, 2021–2024

Issue identified	Number of centers with issue
Failure to meet key performance metrics and goals	5
Business center staffing challenges	4
Limited, inconsistent, or inaccurate performance reporting updates	4
Insufficient outreach and engagement with business center clients	4
Difficulty forming strategic alliances with other organizations	4

Source: GAO analysis of Minority Business Development Agency documentation. | GAO-26-107718

Accessible data for Figure 3: Issues Identified at Business Centers Placed Under Performance Improvement Plans, 2021–2024

Issue identified	Number of centers with issue
Failure to meet key performance metrics and goals	5
Business center staffing challenges	4

Issue identified	Number of centers with issue
Limited, inconsistent, or inaccurate performance reporting updates	4
Insufficient outreach and engagement with business center clients	2
Difficulty forming strategic alliances with other organizations	2

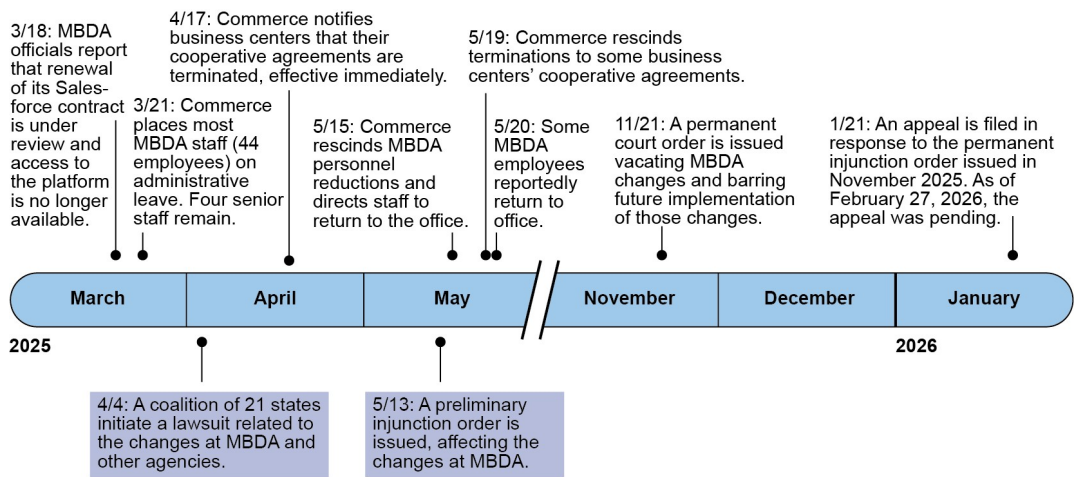
Source: GAO analysis of Minority Business Development Agency documentation. GAO-26-107718

How have recent changes at MBDA affected the Business Center program?

Recent executive orders affected MBDA operations and the Business Center program in early 2025. On February 26, 2025, the White House issued Executive Order 14222, which directed agency heads, including the Secretary of Commerce, to review existing contracts and grants and modify or terminate them to reduce overall spending. On March 14, 2025, Executive Order 14238 designated MBDA as one of the agencies whose nonstatutory functions must be eliminated to the “maximum extent consistent with applicable law,” and whose statutory functions must be reduced to the “minimum presence and function required by law.”²⁵ According to the White House, Executive Order 14238 continues the reduction in the elements of the federal bureaucracy that the President determined were unnecessary.

From March 2025 to January 2026, these orders affected MBDA’s operations (see fig. 4). In March 2025, MBDA and its business centers lost access to Salesforce, the platform used to report and store performance data. According to agency officials, MBDA retained these data. That same month, all but four MBDA senior staff were placed on administrative leave. In April, the Department of Commerce notified some business center operators that their cooperative agreements with MBDA were terminated. However, in May 2025, staff reductions and some cooperative agreement terminations were rescinded following a court order.²⁶ In November 2025, the District Court issued an order vacating all agency actions under Executive Order 14238 (including at MBDA) and a permanent injunction prohibiting the federal government from future implementation of the executive order at agencies. In January 2026 the federal government appealed the November 2025 decision. The appeal was pending as of February 27, 2026.

Figure 4: Timeline of Key Changes Affecting the Minority Business Development Agency, March 2025–January 2026



MBDA: Minority Business Development Agency

Source: GAO analysis of Department of Commerce information and court filings. | GAO-26-107718

Accessible data for Figure 4: Timeline of Key Changes Affecting the Minority Business Development Agency, March 2025–January 2026

- 3/18/2025 MBDA officials report that renewal of its Salesforce contract is under review and access to the platform is no longer available.
- 3/21/2025 Commerce places most MBDA staff (44 employees) on administrative leave. Four senior staff remain.
- 4/4/2025 A coalition of 21 states initiate a lawsuit related to the changes at MBDA and other agencies.
- 4/17/2025 Commerce notifies business centers that their cooperative agreements are terminated, effective immediately.
- 5/13/2025 A preliminary injunction order is issued, affecting the changes at MBDA.
- 5/15/2025 Commerce rescinds MBDA personnel reductions and directs staff to return to the office.
- 5/19/2025 Commerce rescinds terminations to some business centers' cooperative agreements.
- 5/20/2025 Some MBDA employees reportedly return to office.
- 11/21/2025 A permanent court order is issued vacating MBDA changes and barring future implementation of those changes.
- 1/21/2025 An appeal is filed in response to the permanent injunction order issued in November 2025. As of February 27, 2026, the appeal was pending.

Source: GAO analysis of Department of Commerce information and court filings. GAO-26-107718

Note: On May 6, 2025, a federal district court issued a memorandum and order stating that a preliminary injunction was appropriate and requested that the plaintiffs draft a preliminary injunction after consulting with the defendants, including MBDA. The court issued the preliminary injunction on May 13, 2025. On November 21, 2025, the same court granted a summary judgment requiring the federal government to vacate any actions agencies had taken under Executive Order 14238 (for certain agencies, including MBDA). The November 2025 decision also includes a permanent injunction barring the defendants, including the MBDA, from future implementation of the order at those same agencies. The defendants, including the MBDA, appealed the November 2025 decision on January 21, 2026. As of February 27, 2026, the case is still under appeal.

Business center operators we interviewed noted the changes affected their ability to provide services to MBEs.²⁷ One operator stated that the March 2025 termination notice interrupted services to clients but the operator planned to continue providing services by partnering with local cities and universities. Another stated the termination of its agreement would reduce support for MBEs. A third noted that no other organization in its area offered comparable services. A fourth reported searching for additional funding sources following termination of its agreement.

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Commerce for review and comment. Commerce provided written comments, which are reprinted in appendix I, and technical comments, which we incorporated as appropriate.

Commerce stated that the draft report did not meet the requirements set forth in GAO's statutory directive because it did not include findings on the effectiveness of the business center program or centers' compliance with requirements. However, our report addresses these issues. For example, it describes how selected centers performed, discusses limitations on the ability to assess the program as a whole, and describes potential instances of noncompliance identified by MBDA that resulted in performance improvement plans.

In its comments, Commerce also noted five paragraphs that it said we included in a previous version of the report but not in the draft report we provided to Commerce for review and comment. These paragraphs were from the statement

of facts we shared with Commerce in August 2025. We routinely provide statements of facts to agencies to confirm that key information used to formulate our analyses and findings is current, correct, and complete. The statement of facts is not a draft report and is subject to revision as we finalize our audit work.

After reviewing additional information from the Commerce OIG's November 2025 report, which corroborated some of our observations, we updated the report to note limitations in MBDA's monitoring of business centers for compliance, including not having a system to track each business center's compliance with program requirements and monitoring procedures that did not include responsibilities for addressing single audit findings.

Commerce also stated that it believes there is sufficient, publicly available evidence regarding issues with MBDA's performance and compliance monitoring activities, noting that the termination of Salesforce should not have prevented us from discussing these issues. However, without access to Salesforce, we could not comprehensively assess the timeliness, supporting documentation, or completeness of business centers' reported performance information. Furthermore, after multiple requests during the course of our review, MBDA did not provide sufficient information for us to comprehensively assess performance data for all business centers. In addition, we did not update the report to include testimonial information from business center staff because reductions in MBDA program staff during our review limited our ability to corroborate it.

How GAO Did This Study

To identify challenges MBEs may have faced, we conducted a literature review and reviewed research published on MBDA's website. Our literature review included searches of peer-reviewed and scholarly material and government reports in LexisNexis, ProQuest, EBSCO, and Scopus. We selected articles published in the last 10 years that covered topics such as MBDA and challenges MBEs, minority-owned businesses, and minority entrepreneurs may face. We also interviewed representatives of five advocacy and industry groups that conduct research or provide support to MBEs: the National Asian, Pacific Islander American Chamber of Commerce and Entrepreneurship; U.S. Hispanic Chamber of Commerce; Native American Business Association; U.S. Pan Asian American Chamber of Commerce; and National Urban League. We selected these organizations to reflect a range of populations and perspectives.

To describe MBDA programs for MBEs, we analyzed relevant notices of funding opportunities for information on program goals, performance periods, and award amounts. We focused on two programs that had the largest funding amounts and were not pilot programs. We also reviewed MBDA documentation, such as meeting agendas that describe various presentations, press releases, and data on award recipients and funding allocations for fiscal years 2021–2023. We interviewed MBDA officials and reviewed memorandums of understanding between MBDA and other federal agencies to describe interagency coordination.

To describe MBDA's process for assessing business center performance, we reviewed notices of funding opportunity for the Business Center program and MBDA's 2017 standard operating procedures (the most recent available at the time of our review). We reviewed these documents for information on how MBDA sets performance goals, monitors performance, and assigns ratings.

To describe how business centers reported on their performance, we identified a nongeneralizable sample of seven centers. We selected centers that were active in 2024, operated in a previous grant cycle, and represented diverse geographic regions. Findings from our sample cannot be generalized to all 39 centers that were active from 2021–2024. For each selected center, we reviewed its 2024

annual performance report to summarize information on its reported goal achievement and compile performance scores. Performance results were self-reported by the centers. We did not assess the reliability of these data because MBDA and business centers lost access to the Salesforce system (which held performance information and supporting documents) in February 2025, when Commerce did not renew the Salesforce contract.

We initially planned to obtain performance reports for all 39 centers but could not do so in a timely manner because, as described above, MBDA and business centers had lost access to Salesforce performance information. Although MBDA had downloaded program data from Salesforce, those data could not be interpreted outside of Salesforce without additional coding. We also interviewed MBDA officials and business center operators for information on center services and progress toward meeting annual goals.

To describe MBDA's approach to compliance monitoring and enforcement, we reviewed relevant policies and procedures. These include MBDA's 2017 standard operating procedures (the most current at the time of our review), Commerce's 2024 Federal Financial Assistance Manual, and MBDA's service agreement with its grants officer at the National Oceanic and Atmospheric Administration. We also reviewed relevant audits issued in 2017 and 2025 by the Commerce OIG and interviewed OIG officials.²⁸ To identify single audits for the 39 business center operators that were active in 2024, we accessed the Federal Audit Clearinghouse, a database that contains single audit results. We reviewed reports issued for audit years 2021–2025.

To identify Business Center program requirements, we reviewed the Minority Business Development Act of 2021 and relevant notices of funding opportunity.²⁹ We interviewed MBDA staff about monitoring activities, including identifying and addressing instances of noncompliance. We requested all performance improvement plans MBDA initiated for centers for fiscal years 2021–2024 and analyzed agency information for the five plans provided, all of which were initiated in 2023.

To describe recent changes at MBDA, we reviewed Executive Orders 14222 and 14238 issued in February and March 2025, respectively.³⁰ We reviewed relevant court filings to obtain information on legal proceedings related to MBDA's operations through February 2026, as well as documentation on changes to agency staff levels and cooperative agreements with business center operators. We interviewed Commerce officials for information on performance data retention and business center operators about how these changes affected their services and operations.

We conducted this performance audit from July 2024 to March 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix I: Comments from the Department of Commerce



UNITED STATES DEPARTMENT OF COMMERCE
Minority Business Development Agency
Washington, D.C. 20230

Courtney LaFountain
Director, Financial Markets and Community Investment
Government Accountability Office
441 G St. N.W.
Washington, DC 20548

Dear Ms. LaFountain:

Please find attached the Department of Commerce's formal comments to GAO's Draft Report entitled, *MBDA: Information on Performance Assessment and Compliance Monitoring as of 2024 (GAO-26-107718)*.

Sincerely,

JOYCE MEYER Digitally signed by JOYCE MEYER
Date: 2026.02.06 16:12:55 -0500

Joyce Meyer

Performing the Non-Exclusive
Functions and Duties of the Under
Secretary of Commerce for Minority
Business Development

**Department of Commerce's Comments on
GAO Draft Report entitled *MBDA: Information on Performance Assessment and
Compliance Monitoring as of 2024 (GAO-26-107718)***

The Department of Commerce (Department) has reviewed GAO's draft report, *Minority Business Development Agency: Information on Performance Assessment and Compliance Monitoring as of 2024* ("Draft Report"), and offers the following comments.

Comments on GAO's Draft Report

The Draft Report does not meet the requirements set forth in GAO's statutory directive. Under 15 U.S.C. § 9594, GAO must submit to Congress "a detailed report of the findings of the Comptroller General" on items including "the effectiveness of the programs" and "any failure by any recipient of assistance . . . to comply with the [statutory] requirements." The Draft Report does neither. Indeed, the Draft Report does not include a single finding regarding MBDA's performance assessment and compliance monitoring during the Biden Administration.

GAO included such findings in the previous version of the report it had shared with the Department. In a now-removed section titled, "Observations on MBDA's performance and compliance monitoring activities," that version included the following five paragraphs cataloguing the myriad problems and systemic mismanagement of MBDA as of 2024:

MBDA's monitoring procedures were outdated and did not include all responsibilities outlined in agency and Commerce documents. For example, MBDA did not include responsibilities related to single audit report reviews, risk assessments, award files, or oversight of compliance with program and statutory requirements.

MBDA was unable to demonstrate that it could fully track business centers' compliance with selected program requirements. Additionally, MBDA does not have an automated mechanism to comprehensively track centers' compliance with all requirements.

MBDA's contractor developed a risk assessment tool in late 2023 and a Program Monitoring and Risk Assessment Framework in December 2024. However, the agency did not incorporate these tools into its monitoring procedures. Program staff responsible for monitoring told us they were unfamiliar with the framework and did not use it in practice.

Business center staff described MBDA's guidance on program requirements as inadequate, inconsistent, or overly general. For example, one center reported receiving conflicting guidance and had to seek help from another center. Additionally, business center staff reported that MBDA's onboarding process could be more clear, timely, and well-structured.

Most business center staff we interviewed noted gaps in technical assistance and policy expertise from MBDA staff. They cited high staff turnover, unclear points of contact, and limited access to subject-matter specialists.¹

The Department asked GAO why they omitted these findings in the subsequent Draft Report. GAO said, “[a]s we proceeded with our internal quality assurance process after our exit meeting, we determined that we did not have sufficient evidence to support findings on MBDA’s performance and compliance monitoring activities. In the absence of that sufficient evidence, we are not planning to add that material back to the report.” In a later conversation, GAO staff said they could not obtain the necessary supporting evidence because MBDA lost access to the Salesforce platform it used for grant monitoring after the contract ended last spring.

The Department respectfully disagrees that these explanations justify cutting the original findings. There is sufficient, publicly available evidence supporting those findings. For example, on November 19, 2025, the Department’s Office of Inspector General (OIG) released an audit report, *Audit of MBDA Business Center Program*,² which mirrored GAO’s focus area of the instant Draft Report. Specifically, the OIG found “significant issues with MBDA’s oversight and monitoring” activities, including, but not limited to, MBDA: failing to ensure that the Business Centers reported accurate and reliable performance metrics; neglecting to monitor Business Centers’ compliance with award requirements; failing to address issues revealed by external audits of individual Business Centers; and not performing required Business Center site inspections.³ The OIG report reveals the real-world consequences of MBDA’s monitoring failures under the previous administration, specifically, that “approximately \$15.4 billion of the \$16.0 billion (96 percent) of the financial activity reviewed should not have been approved, and 2,585 of the 3,906 jobs reported to be created and retained (66.2 percent) should not have been approved, with the remaining transactions for jobs created and retained deemed unreliable.”

Nor should the termination of the Salesforce Platform have prevented GAO from including its original findings. MBDA used the Salesforce platform to manage performance data for the Business Center program. None of the omitted paragraphs are premised on this data. Rather, they are based on conversations with staff and MBDA’s policies, or lack thereof. Moreover, after discovering GAO had cut the original findings, Department staff offered to work diligently to provide GAO with documents they needed to reinstate them. GAO did not request any such documentation.

In sum, it is the Department’s position that GAO should have included its original findings of MBDA’s fundamental management and performance errors as of 2024 in its final report.

¹ U.S. Gov’t Accountability Off., GAO-26-107718, *Draft GAO review of the Minority Business Development Agency (MBDA)*, at 12-13 (2025).

² U.S. Dep’t of Com. Off. of Inspector Gen., *Audit of MBDA Business Center Program*, OIG-26-001-A (Nov. 19, 2025), <https://www.oig.doc.gov/wp-content/OIGPublications/OIG-26-001-A-SECURED.pdf>.

³ *Id.* at 4–14.

List of Addressees

The Honorable Ted Cruz
Chairman
The Honorable Maria Cantwell
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable French Hill
Chairman
The Honorable Maxine Waters
Ranking Member
Financial Services Committee
House of Representatives

We are sending copies of this report to the appropriate congressional committees, the Secretary of Commerce, the Undersecretary of MBDA, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

GAO Contact Information

For more information, contact: Courtney LaFountain, Director, Financial Markets and Community Investment, LaFountainC@gao.gov.

Media Relations: Sarah Kaczmarek, Managing Director, Media@gao.gov.

Congressional Relations: Dave Powner, Acting Managing Director, CongRel@gao.gov.

Staff Acknowledgments: Lisa Moore (Assistant Director), Efrain Magallan (Analyst in Charge), Chelsea Carter, Garrett Hillyer, Brandon Jones, Marc Molino, Carl Ramirez, Jessica Sandler, Ben Theuma, and Aida Woldu.

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Endnotes

¹Pub. L. No. 117-58, § 100001, et seq., 135 Stat. 429, 1445-1467.

²15 U.S.C. § 9501(9).

³15 U.S.C. § 9501(15)(A).

⁴15 U.S.C. § 9501(15)(B); 15 C.F.R. § 1400.1.

⁵*Nuziard v. MBDA*, 721 F. Supp. 3d 431, 509 (2024). The U.S. District Court for the Northern District of Texas found that the requirement in the Minority Business Development Act on the presumption of social disadvantage for certain program applicants was unconstitutional and ordered the agency to discontinue using race or ethnicity as criteria for receiving business center services nationwide. The federal government declined to continue an appeal of the decision; it is therefore final.

⁶Amendments to the regulation were finalized in December 2024, effective January 15, 2025. Removal of Racial and Ethnic Presumptions in Response to Court Ruling, 89 Fed. Reg. 101466 (Dec. 16, 2024).

⁷Robert Fairlie, Alicia Robb, and David T. Robinson, "Black and White: Access to Capital Among Minority-Owned Startups," *Management Science*, vol. 68, no. 4 (2022): 2377–2400. The analysis combined business responses on credit expectations and other characteristics from the Kauffman Firm Surveys (2004–2011) with matched administrative data on businesses' actual credit scores. Findings reported from this study do not include all factors that may impede access to capital and should not be generalized to all African American or Black businesses or time periods.

⁸Federal Reserve Banks, *Small Business Credit Survey. 2025 Firms in Focus: Chartbook on Firms by Race and Ethnicity of Ownership*. Retrieved from https://www.fedsmallbusiness.org/-/media/project/clevelandfedtenant/fsbsite/reports/2025/2025-firms-in-focus-chartbooks/sbcs_chartbook2025_raceethnicity.pdf. The Small Business Credit Survey is an annual survey of firms with fewer than 500 employees. The survey was conducted from September 4, 2024, to November 4, 2024. According to the study, 28 percent of Asian-owned businesses reported credit availability challenges.

⁹Chris Parker and Dwaipayyan Roy, "A Granular Examination of Gender and Racial Disparities in Federal Procurement," *Data & Policy*, vol. 6 (Cambridge University Press: 2024). The underrepresentation of minority-owned businesses that were awarded contracts in the areas of science, technology, engineering, and mathematics in 2019–2021 should not be generalized to other areas of procurement.

¹⁰Department of Commerce, Minority Business Development Agency, *Contracting Barriers and Factors Affecting Minority Business Enterprises: A Review of Existing Disparity Studies* (Washington, D.C.: Dec. 2016). This review defines MBEs as businesses that are at least 51 percent owned, operated, or controlled by individuals who are minority group members, including those who are Asian, African American or Black, Hispanic or Latino, and Native American. This review of disparity studies does not represent the full universe of studies or contracting disparities affecting MBEs.

¹¹Salesforce is a customer relationship management company focused on software for sales, customer service, marketing automation, e-commerce, analytics, and application development.

¹²MBDA's notice of funding opportunity for fiscal year 2021 established a performance rating scale for Business Centers for a 5-year period (2021–2026). According to the notice of funding opportunity, the five levels of performance are outstanding, commendable, good, satisfactory, and unsatisfactory.

¹³Business centers reported performance information for 2024 that covered a funding period from July 1, 2023, to June 30, 2024.

¹⁴According to MBDA officials, the agency maintained one license with Salesforce beginning in July 2025. This license allows MBDA staff to view program data. However, MBDA is unable to conduct data analytics or manipulation, according to agency officials.

¹⁵See Department of Commerce, Office of Inspector General, *Audit of MBDA Business Center Program*, OIG-26-001-A (Washington, D.C.: Nov. 19, 2025).

¹⁶Exec. Order No. 14238, Continuing the Reduction of the Federal Bureaucracy, 90 Fed. Reg. 13043 (Mar. 20, 2025).

¹⁷MBDA's contractor developed a risk-assessment in late 2023 and a Program Monitoring and Risk Assessment Framework in December 2024. The agency had not incorporated these tools into its standard operating procedures at the time of our review.

¹⁸The U.S. Office of Management and Budget increased the threshold from \$750,000 to \$1,000,000 effective for fiscal years beginning on or after October 1, 2024. Guidance for Federal Financial Assistance, 89 Fed. Reg. 30046 (Apr. 22, 2024).

¹⁹We reviewed the Federal Audit Clearinghouse—a database that contains single audit results—for the 39 active business center operators from 2021 to 2025. We identified and reviewed single audit reports for 18 of the 39 operators.

²⁰According to MBDA officials, as of January 2025, seven program analysts and two program managers were responsible for monitoring compliance for the Business Center program. We refer to them collectively as program staff.

²¹According to MBDA officials, MBDA used the 2017 standard operating procedures to monitor compliance from 2021 through 2024.

²²MBDA submits such recommendations for additional enforcement actions to its grants officer at the National Oceanic and Atmospheric Administrations' Acquisition and Grants Office.

²³See *Audit of MBDA Business Center Program*, OIG-26-001-A.

²⁴Performance improvement plans we reviewed had a 90-day timeline for business centers to resolve any identified issues, according to MBDA documentation.

²⁵Exec. Order No. 14222, Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative, 90 Fed. Reg. 11095 (Mar. 3, 2025); and Exec. Order No. 14238, Continuing the Reduction of the Federal Bureaucracy, 90 Fed. Reg. 13043 (Mar. 20, 2025).

²⁶State of Rhode Island, et al. v. Trump et al, 1:25-cv-128 (U.S. D. RI). In April 2025, multiple states sued several government officials and agencies, including MBDA, requesting the court order the defendants to determine the actions taken by the defendants under Executive Order No. 14238 to eliminate employees and grants of the agencies, including MBDA, are unlawful and unconstitutional, and prohibit the defendants from implementing those actions.

²⁷We completed our interviews with business centers prior to the issuance of the preliminary court order on May 13, 2025.

²⁸See Department of Commerce, Office of Inspector General, *MBDA Can Improve Processes to More Effectively Monitor Cooperative Agreements*, OIG-17,029-A (Washington, D.C.: Sept. 5, 2017) and *Audit of MBDA Business Center Program*, OIG-26-001-A (Washington, D.C.: Nov. 19, 2025).

²⁹Minority Business Development Agency, *MBDA Business Center Program Notice of Funding Opportunity (NOFO) 2021* (Washington, D.C.: 2021); and *MBDA Business Center Program Notice of Funding Opportunity (NOFO) 2022* (Washington, D.C.: 2022).

³⁰Exec. Order No. 14222, Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative, 90 Fed. Reg. 11095 (Mar. 3, 2025); and Exec. Order No. 14238, Continuing the Reduction of the Federal Bureaucracy, 90 Fed. Reg. 13043 (Mar. 20, 2025).